

FIGURES | INLAND EMPIRE INDUSTRIAL | Q3 2026

Despite a leasing slowdown, positive absorption and rising development continue



Note: Arrows indicate change from previous quarter.

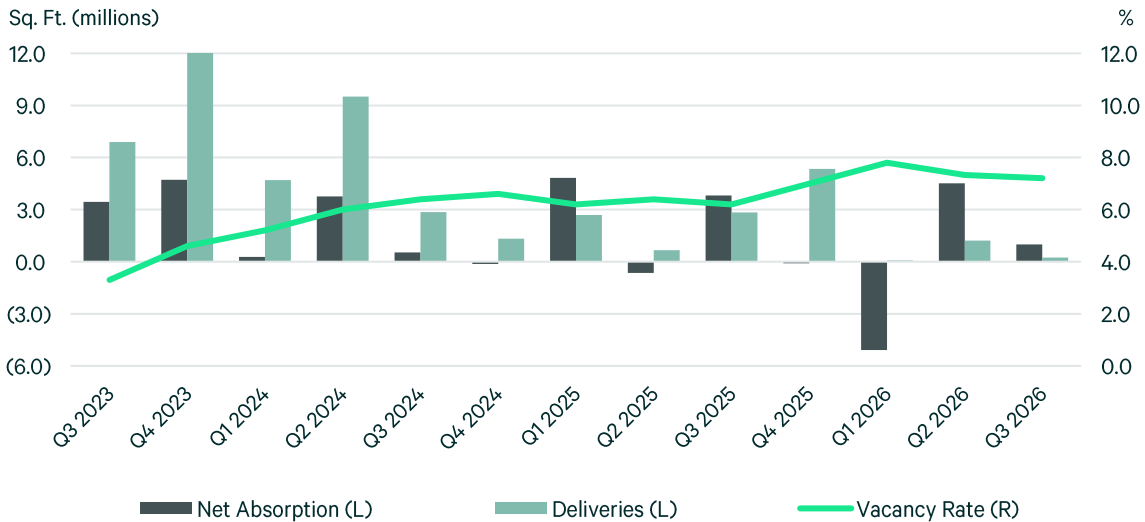
Market Overview

Although new leasing slowed across the Inland Empire (IE) industrial market in Q3 2026, enduring demand for space sustained positive net absorption, totaling one million sq. ft. in the IE Core (IE East and IE West), and compressed vacancy 10 basis points (bps) quarter-over-quarter to 7.2%. However, taking rates softened further, falling \$0.04 quarter-over-quarter to \$1.01 NNN per sq. ft. per month, as landlords remained motivated to secure deals in the elevated availability environment.

Fundamental indicators trended in similar directions within the submarkets, with slowing new leasing and declining lease rates offset by positive net absorption, limited speculative deliveries, and stable or falling vacancy. In the IE West, vacancy held at 5.9% in Q3 2026 while taking rates fell \$0.06 quarter-over-quarter to \$1.05 NNN per sq. ft. per month. In the IE East, vacancy tightened 30 bps quarter-over-quarter to 8.7% while taking rates fell \$0.01 quarter-over-quarter to \$0.93 NNN per sq. ft. per month.

Developer confidence continued to grow, with the under construction pipeline rising 34.8% quarter-over-quarter to 8.3 million sq. ft. in Q3 2026, up 7.5% year-over-year. Demand for big box industrial fueled the uptick in new development starts, as the scarcity of prime options in the 500,000 sq. ft. and above size range continued to constrain occupiers.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



CBRE Research

Availability & Vacancy

Overall vacancy in the IE Core declined 10 bps quarter-over-quarter from a revised 7.3% in Q2 2026 to 7.2% in Q3 2026 but remained 50 bps above Q3 2025. At the submarket level, vacancy in the IE West held at 5.9%, compared to a 30-bps drop quarter-over-quarter to 8.7% for the IE East. Vacancy varied across size ranges, with the mid-size segment (250,000–499,999 sq. ft. range) registering the highest vacancy rate of 11.6% in Q3 2026 as demand concentrated in small-bay and big box space in recent quarters.

However, availability climbed to 12% in Q3 2026, up 40 bps quarter-over-quarter from a revised 11.6% in Q2 2026 and up 100 bps year-over-year. Between submarkets, the IE East saw a 90-bps increase quarter-over-quarter to 13.4%, while availability in IE West remained unchanged at 10.8%. Sublease availability rose from 10.6 million sq. ft. in Q2 2026 to 12.5 million sq. ft. in Q3 2026, as a few large spaces were listed and sublease activity slowed from over one million sq. ft. in recent quarters to 437,000 sq. ft. in Q3 2026.

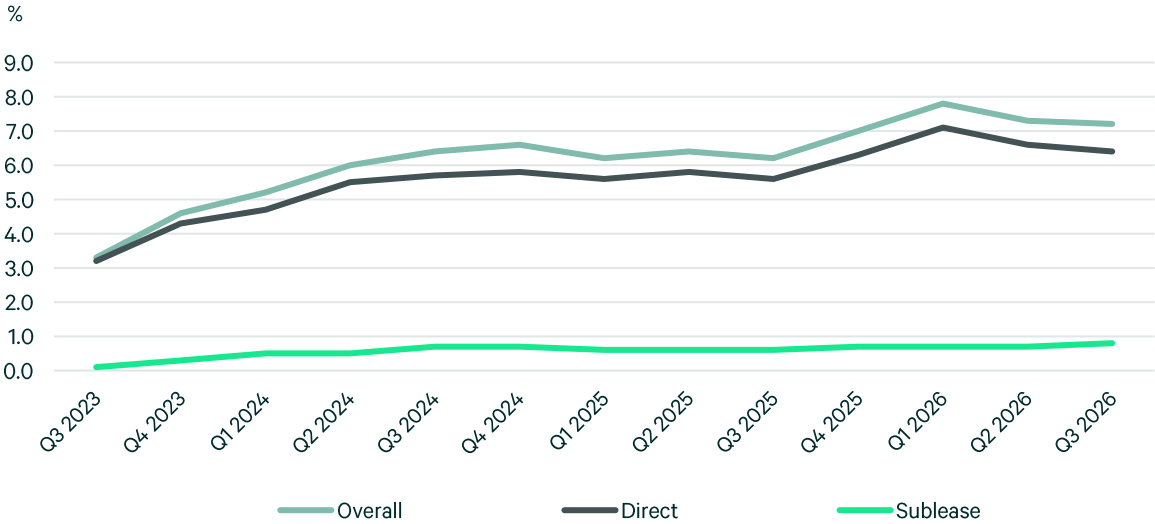
While landlords are increasingly bringing space to market well before leases expire, continued tenant renewals and sustained will help mitigate the impact of COVID-era lease expirations over the next few years as cost-conscious occupier remain enticed by affordable options in the Inland Empire.

Net Absorption

Positive net absorption continued in the IE Core, totaling one million sq. ft. in Q3 2026, down from a revised 4.5 million sq. ft. in Q2 2026. Unlike in recent quarters, where the big box segment drove net absorption, the 100,000–249,999 sq. ft. size range led net absorption in Q3 2026, realizing 1.3 million sq. ft. of positive absorption. Year-to-date, overall net absorption stood at 425,000 sq. ft. of positive absorption, as the IE Core recovered from a wave of big box move-outs in Class B buildings in Q1 2026.

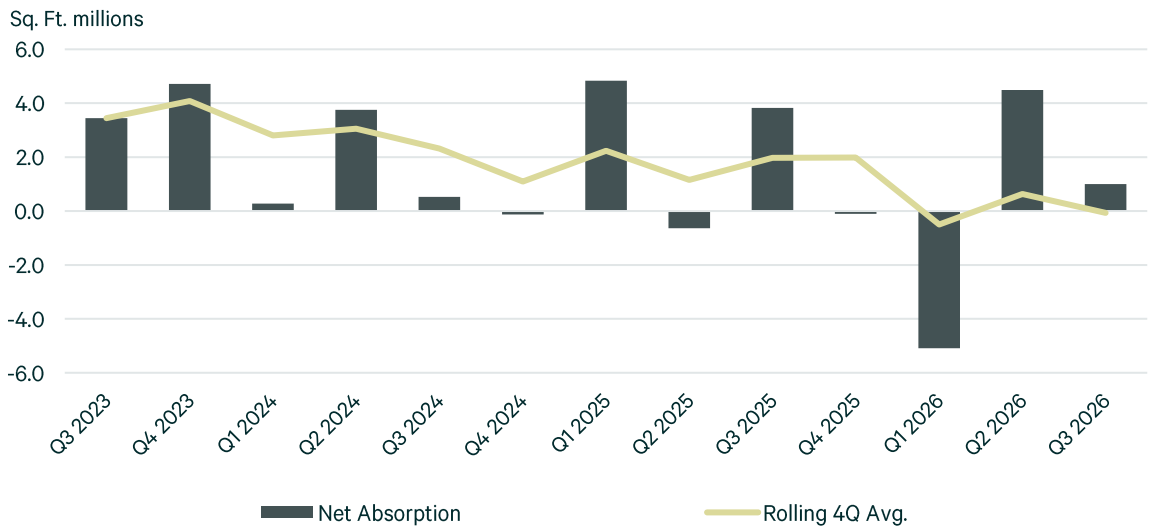
Both submarkets realized positive net absorption in Q3 2026, totaling 851,000 sq. ft. in the IE East and 150,000 sq. ft. in the IE West, despite a leasing slowdown. Notable move outs by large occupiers were balanced by major new lease signings by logistics users. In the IE West, two major occupiers, Georgia Pacific and Kumho Tire, vacated a combined 1.8 million sq. ft. in Rancho Cucamonga while three new leases above 400,000 sq. ft. signed by third-party logistics (3PLs) companies for a combined 1.6 million sq. ft. of vacant space helped offset these move-outs. The IE East saw just one big box move out, with Cubework vacating 601,000 sq. ft. in Riverside, while 3PLs such as NFI and Western Post leased a combined 840,000 sq. ft. of vacant space in Perris and San Bernardino.

Figure 2: Vacancy Rate



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Figure 3: Net Absorption Trend



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Asking Rent & Taking Rent

Average asking rents in the IE Core held steady quarter-over-quarter at \$1.08 NNN per sq. ft. per month in Q3 2026, but remained down 2.7%, or \$0.03, from Q3 2025 as elevated availability weighed on asking rate expectations. Within the IE Core, pricing expectations varied greatly by submarket, with an average asking rent of \$1.15 NNN per sq. ft. per month in IE West versus \$1.04 NNN per sq. ft. per month in IE East.

Unlike asking rents, taking rates further softened in Q3 2026, with the average taking rate falling 3.8%, or \$0.04, quarter-over-quarter to \$1.01 NNN per sq. ft. per month in the IE Core. Both submarkets saw declining taking rates, as the IE East's taking rate decreased \$0.01, or 1.1%, quarter-over-quarter to \$0.93 NNN per sq. ft. per month while the IE West saw a more pronounced drop of \$0.06, or 5.4%, quarter-over-quarter to \$1.05 NNN per sq. ft. per month.

The mismatch between asking rents and taking rents was attributed to institutional landlords' willingness to offer attractive rates to high-credit tenants to secure long-term commitments. On the other hand, some ownership groups incentivized shorter-term deals with cheaper rents, allowing tenants to defer long term decisions for the time being.

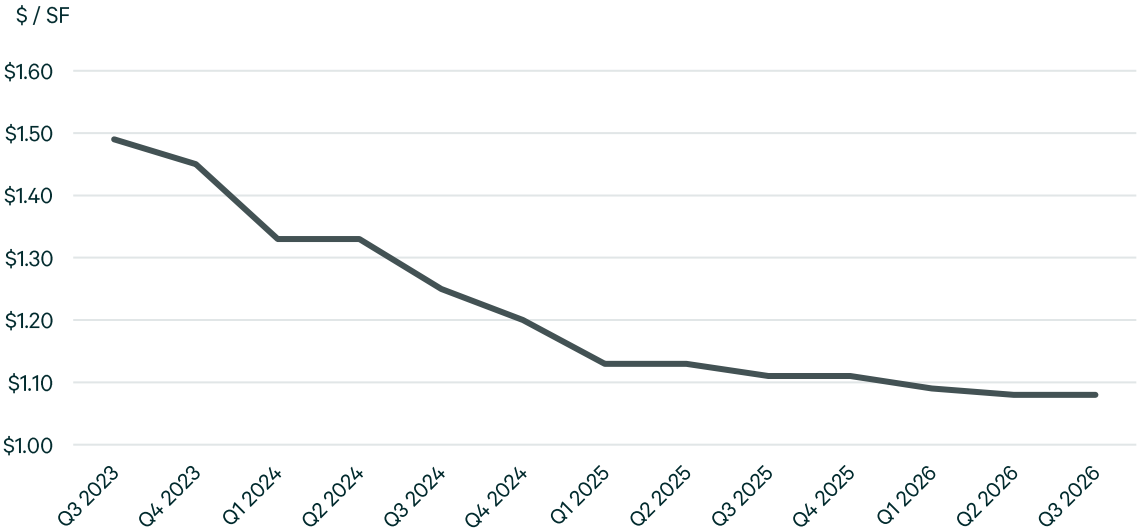
Construction Activity

Compared to just 243,000 sq. ft. of newly delivered space in Q3 2026, the IE Core broke ground on 2.4 million sq. ft. of new projects. Two of the commenced projects were above 500,000 sq. ft. and comprised a combined 1.8 million sq. ft., or 77%, of total groundbreakings. Rising interest in big box development pushed the under-construction pipeline to 8.3 million sq. ft. in Q3 2026, a 34.8% increase quarter-over-quarter and 7.5% above Q3 2025.

Of the 8.3 million sq. ft. under construction, the 500,000 sq. ft. and above size range accounted for 62.2%, or 5.2 million sq. ft., of new construction, followed by the 100,000–249,999 sq. ft. size range's 19%, or 1.6 million sq. ft. In Ontario, Building 9 of South Ontario Logistics Center represented the largest speculative development underway in IE West at nearly 1.2 million sq. ft., whereas Medline's build-to-suit (BTS) project in Perris was the largest BTS project underway in the IE East at one million sq. ft. Across the IE Core, 80.3% of the new supply pipeline was speculative, with the prelease rate standing at 19.7%.

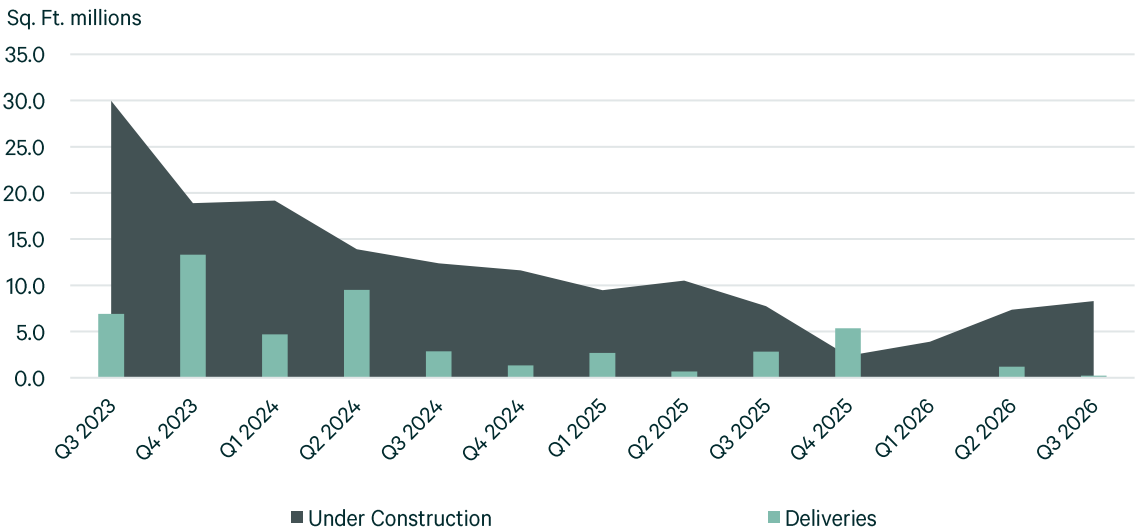
Looking ahead, large credit occupiers seeking prime space may find their options growing across the IE Core as developers focus their efforts on state-of-the-art big box spaces with sought-after amenities.

Figure 4: Average Direct Asking Rate



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Figure 5: Construction Activity



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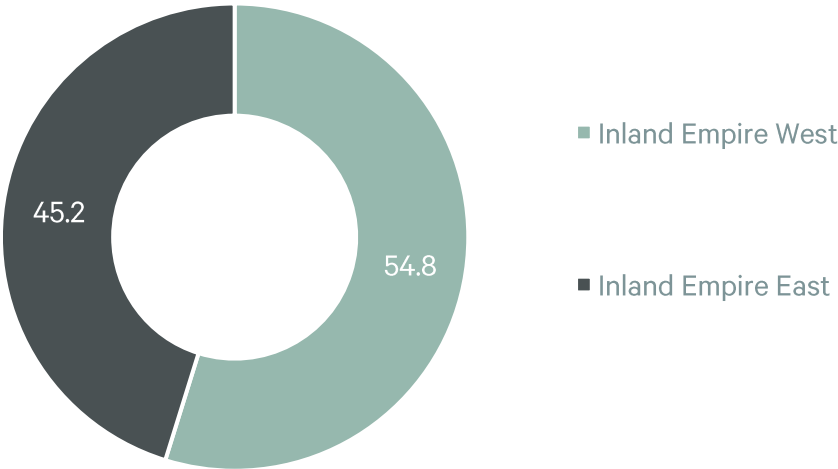
Leasing Activity

New leasing activity fell 28% from the record-high 15.5 million sq. ft. recorded in Q2 2026 to 11.2 million sq. ft. in Q3 2026, as the summer slowdown hit across the IE Core, down 6% from Q3 2025. Logistics remained the most active industry type across both submarkets, as 3PLs like LC Logistics and US Elogistics leased vacant big box space in IE West, while NFI and Western Post each leased 420,000 sq. ft. in IE East.

Like new leasing, renewal activity decreased 15.2% from a revised 7 million sq. ft. in Q2 2026 to 6 million sq. ft. in Q3 2026, accounting for nearly 35% of overall leasing volume (new leasing and renewals). Retail was also an active industry, with Wayfair renewing 2 million sq. ft. in Perris alone, while Converse renewed 656,000 sq. ft. in Ontario. Overall, logistics, manufacturing, and retail users continued to be the most active in the market.

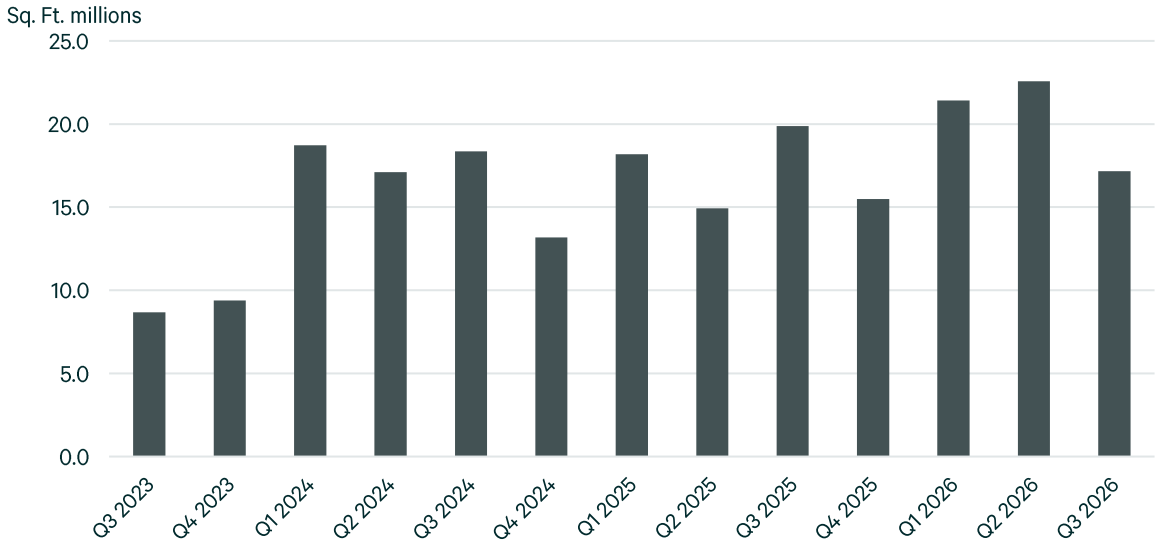
Of the 17.2 million sq. ft. in overall leasing volume the IE Core recorded in Q3 2026, the IE West and IE East contributed 9.4 million sq. ft. and 7.8 million sq. ft., respectively. New leasing activity accounted for 69.4%, or 6.5 million sq. ft., of the overall leasing volume in the IE West and 60.1%, or 4.7 million sq. ft., in the IE East.

Figure 7: Leasing Activity by Submarket (% of Total Activity)



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Figure 6: Leasing Activity Trend



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Figure 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Wayfair	1,225,000	Renewal	3300 Indian Ave	Inland Empire East
Wayfair	783,000	Renewal	3500 Indian Ave	Inland Empire East
Converse	656,000	Renewal	1460 S Hofer Ranch Rd	Inland Empire West
Gofo	600,000	New Lease	15207 Flightway Ave SE	Inland Empire West
LC Logistics Services	573,000	New Lease	9333 Hermosa Ave	Inland Empire West
XPO Logistics	554,000	Renewal	1350 S Waterman Ave	Inland Empire East
US Elogistics	547,000	New Lease	1002 S Carnegie Ave	Inland Empire West
Confidential Tenant	533,000	New Lease	23700 Cactus Ave	Inland Empire East

Source: CBRE Research, Q3 2026

Economic Overview

Notable challenges persist, from elevated energy costs and interest rates to lingering geopolitical and technological uncertainties. Despite these concerns, the U.S. economy remains on track to grow by over 2% during 2026, supported by impressive AI-driven business investment. Also, a generally stable labor market continues to underpin consumer activity, providing a cushion against other risks.

The final months of 2026 could prove pivotal. While economic growth supports healthy CRE occupier market fundamentals, the investment side of the market must contend with 5% Treasury yields. Signals from the Federal Reserve, inflation data, and global fixed-income markets suggest rates will remain elevated for the foreseeable future. A key upside catalyst would be a de-escalation in the U.S./Iran conflict, which could ease inflation and provide the Fed with more flexibility.

The Inland Empire market has navigated a volatile environment throughout 2026, with resilient demand offsetting a slowdown in new leasing activity amid softening lease rates. The market's enduring appeal stems from its proximity to the San Pedro Port Complex, relative affordability, and strong connectivity across Southern California. With sustained activity across user sales, robust new leasing, and growing confidence in new development, the Inland Empire remains well-positioned to retain its standing as one of the nation's top logistics destinations among occupiers and investors.

Market Statistics by Product Type

Figure 9

Product Type	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF NNN/mth)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Distribution/Logistics	625.56M	7.5	12.2	10.4	1.9	1.08	821,000	(550,000)	243,000	8.31M
Manufacturing - General	40.26M	2.6	6.7	5.1	1.6	1.07	316,000	280,000	-	-
R&D/Flex	2.18M	5.5	29.7	26.6	3.1	1.04	(14,000)	(69,000)	-	-
Other Industrial	9.71M	7.0	16.6	16.2	0.4	0.91	(122,000)	763,000	-	-
Total	677.72M	7.2	12.0	10.2	1.8	1.08	1.00M	(425,000)	243,000	8.31M

Source: CBRE Research, Q3 2026

Market Statistics by Size

Figure 10

Size Range	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF NNN/mth)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Below 50K SF	84.18M	4.0	6.9	6.2	0.7	1.22	(16,000)	249,000	46,000	110,000
50K-99,999 SF	59.91M	5.4	9.4	8.4	1.1	1.03	(17,000)	197,000	198,000	60,000
100K-249,999 SF	132.19M	6.7	12.9	11.7	1.2	1.05	1.28M	876,000	-	1.58M
250K-499,999 SF	147.44M	11.6	17.9	15.7	2.2	1.00	135,000	(995,000)	-	1.38M
500K-749,999 SF	91.37M	4.1	9.6	7.2	2.4	1.10	1.28M	3.59M	-	2.97M
750,000 SF +	162.63M	7.7	11.0	8.4	2.6	1.30	(1.66M)	(3.49M)	-	2.20M
Total	677.72M	7.2	12.0	10.2	1.8	1.08	1.00M	425,000	243,000	8.31M

Source: CBRE Research, Q3 2026

Market Statistics by Class

Figure 11

Property Class	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF NNN/mth)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Class A	299.59M	9.7	14.7	11.3	3.3	1.08	(43,000)	(2.38M)	243,000	7.17M
Institutional	257.60M	10.0	15.2	11.6	3.7	1.08	(319,000)	(3.24M)	-	-
Other Class A	41.99M	7.4	11.3	9.9	1.4	1.05	275,000	857,000	243,000	7.17M
All Other Industrial	378.13M	5.3	9.9	9.3	0.7	1.08	1.04M	2.81M	-	1.14M
Total	677.72M	7.2	12.0	10.2	1.8	1.08	1.00M	425,000	243,000	8.31M

Source: CBRE Research, Q3 2026

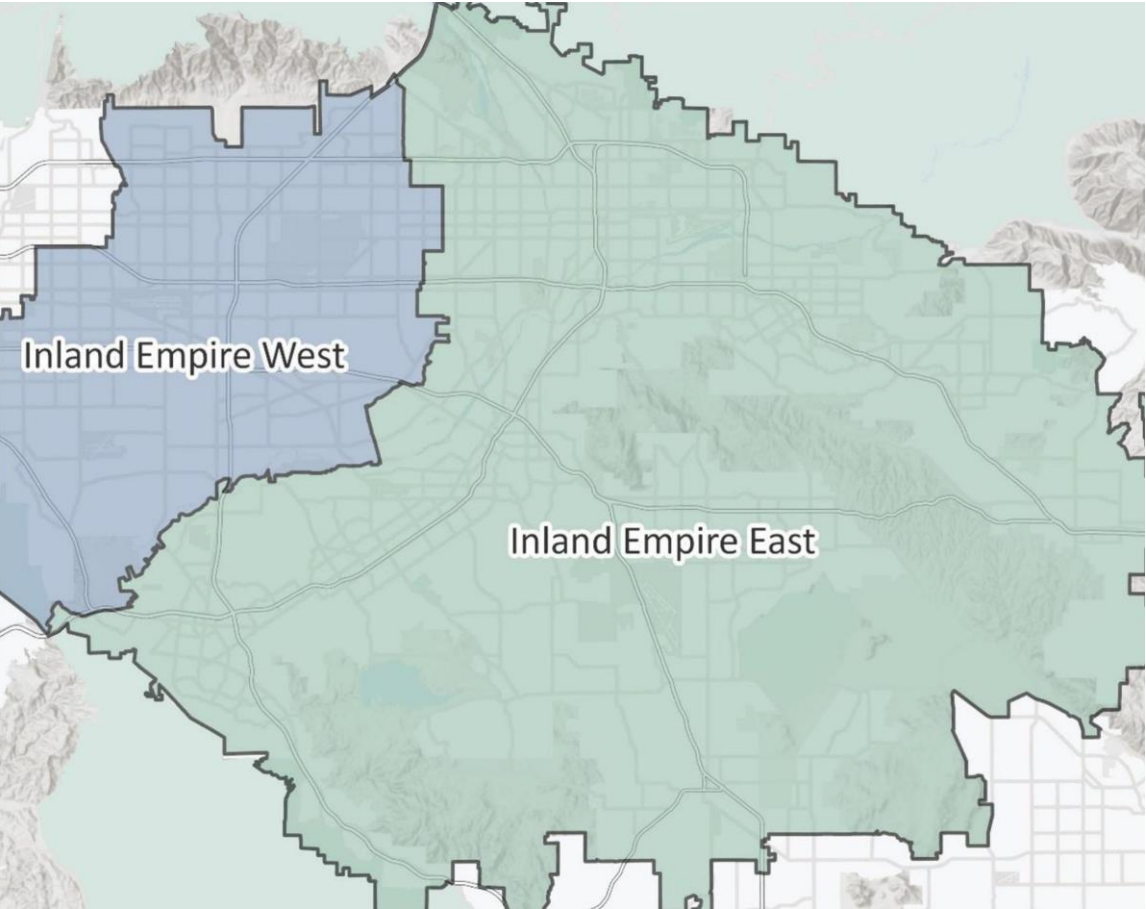
Market Statistics by Submarket

Figure 12

Submarket	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF NNN/mth)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Inland Empire East	320.17M	8.7	13.4	10.8	2.7	1.04	851,000	37,000	46,000	3.44M
Inland Empire West	357.55M	5.9	10.8	9.7	1.1	1.15	150,000	387,000	198,000	4.87M
Total	677.72M	7.2	12.0	10.2	1.8	1.08	1.00M	425,000	243,000	8.31M

Source: CBRE Research, Q3 2026

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. Gross Activity: All user sale and new lease transactions completed within a specified time period. Excludes investment sale transactions. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Vacant Available Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Available Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days. Class A industrial are buildings built after 2000, with 32’ or greater clear height and ESFR sprinklers.

Survey Criteria

Includes all industrial buildings 10,000 sq. ft. and greater in size in the Inland Empire. Buildings which have begun construction as evidenced by site excavation or foundation work. CBRE Research updated submarket boundaries in Q1 2026, causing slight changes between the IE East and the IE West submarkets. Historical statistics have been updated to reflect these changes.

Contacts

Saul Lua	Rick Cozart	Taylor Coyne
Senior Research Analyst Inland Empire saul.lua@cbre.com	Research Manager Orange County & Inland Empire rick.cozartii@cbre.com	Research Director Greater Los Angeles taylor.coyne@cbre.com